



**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF PUBLIC WORKS**

*"To Enrich Lives Through Effective and Caring Service"*

900 SOUTH FREMONT AVENUE  
ALHAMBRA, CALIFORNIA 91803-1331  
Telephone: (626) 458-5100  
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:  
P.O. BOX 1460  
ALHAMBRA, CALIFORNIA 91802-1460

**GAIL FARBER, Director**

August 16, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

27 August 30, 2011

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Dear Supervisors:

**AGREEMENT RELATED TO THE SUBSTITUTION OF SECURITY FOR SUBDIVISION  
IMPROVEMENTS AND GOVERNMENT CODE SECTION 66499(a)(4) LIEN FOR  
LOS VALLES PROJECT  
(SUPERVISORIAL DISTRICT 5)  
(3 VOTES)**

**SUBJECT**

This action is for the County of Los Angeles, acting by and through the Director of Public Works, to execute an agreement with SFI Los Valles Company LLC, a Delaware limited liability company, to substitute a lien upon certain real property in the County of Los Angeles, commonly known as Los Valles (i.e., Tract Map Nos. 52584-01, 52584-02, and 52584) in place of the existing subdivision improvement and grading bonds.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Director of Public Works or her designee to terminate the existing Multiple Agreement related to the installation of subdivision improvements on the property defined by Tract Map Nos. 52584-01, 52584-02, and 52584 with the prior owner, and to enter into a new multiple agreement with SFI Los Valles Company LLC.
2. Find that it would not be in the public interest to require the installation of the required subdivision improvements on the Tract Map Nos. 52584-01, 52584-02, and 52584 within the next two years.
3. Authorize the Director of Public Works or her designee to execute an agreement with SFI Los Valles Company LLC related to the substitution of security for SFI Los Valles Company's subdivision improvement obligations and to accept a lien upon the Tract Map Nos. 52584-01, 52584-02, and 52584 in place of the existing subdivision improvement and grading bonds.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended actions is to authorize the Director of Public Works, acting on behalf of the County of Los Angeles (County), or her designee to terminate the existing Multiple Agreement entered into on December 12, 2006, with the prior owner of Tract Map Nos. 52584-01, 52584-02, and 52584 (property), pertaining to the installation of various subdivision improvements (e.g., streets, sewers, storm drains) on the property, and to enter into the enclosed replacement Multiple Agreement with SFI Los Valles Company LLC (owner). The owner recently acquired title to the property from the prior owner through a foreclosure proceeding.

The purpose of the recommended actions is also to authorize the Director of Public Works or her designee to enter into the enclosed Substitution of Security for Subdivision Improvements Agreement (Security Agreement) with owner, which provides for the substitution of a lien on the property in place of the existing surety bonds as security for the completion of subdivision improvements required by the Multiple Agreement. The amount of the proposed lien is \$44,500,000.50. The estimated value of the property is \$51,004,853.

In light of the current depressed conditions of the real estate market in Los Angeles County, California, and the anticipated lack of public interest in purchasing the homes to be built at the property, it is not expected that there will be any residents/occupants in the subdivision for the foreseeable future. Accordingly, there is no immediate need for the subdivision improvements to be installed.

The Security Agreement provides that if owner elects at any time, in its sole discretion, to move forward with the completion of subdivision improvements at the property, owner shall post with the County replacement bonds in conformance with the existing plans and specifications, bond estimates and subdivision improvement agreements to guarantee the completion of the subdivision improvements for the subdivision project, at which time the County lien will be released against the property.

## **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan directs the provision of Operational Effectiveness (Goal 1) by promoting fiscal policies and practices that help ensure County public services during cyclical economic conditions.

## **FISCAL IMPACT/FINANCING**

There will be no impact to the County General Fund as a result of the execution of the agreements and acceptance of the lien upon the property.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Government Code Section 66499(a)(4) authorizes the County to accept a lien upon the property to be divided as security for a developer's subdivision improvement obligations if the County finds that it would not be in the public's best interest to require the installation of the improvements within the next two years.

The enclosed replacement Multiple Agreement and Security Agreement have been reviewed and

approved as to form by County Counsel.

**ENVIRONMENTAL DOCUMENTATION**

The proposed actions are not a project pursuant to the California Environmental Quality Act (CEQA) because there are activities that are excluded from the definition of a project by Section 15378(b) of the CEQA Guidelines. The proposed actions are administrative activities of government, which will not result in direct or indirect physical changes to the environment.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There will be no impact on current County services or projects as a result of this action.

**CONCLUSION**

Upon approval, please return two adopted copies of this letter to the Department of Public Works, Waterworks Division.

Respectfully submitted,



GAIL FARBER

Director

GF:AA:dvt

Enclosures

c: Chief Executive Office (Rita Robinson)  
County Counsel  
Executive Office

**COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC WORKS  
MULTIPLE AGREEMENT**

**For Tract Nos. 52584-01, 52584-02, and 52584**

This AGREEMENT, made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between the County of Los Angeles and the Los Angeles County Flood Control District, State of California, acting by and through the Director of Public Works (hereinafter collectively referred to as COUNTY) and SFI Los Valles LLC, a Delaware limited liability company, \_\_\_\_\_ (hereinafter referred to as SUBDIVIDER). (Address)

WITNESSETH:

This AGREEMENT is entered into between the parties pursuant to Title 7, Division 2, of the Government Code (the State Subdivision Map Act) together with Title 16, Division 1 (the Highway Permit Ordinance), and Title 21, Division 1 (the Subdivision Ordinance), of the Los Angeles County Code.

Whereas, SUBDIVIDER is the owner of certain real property in the County of Los Angeles commonly known as Los Valles, as more particularly described in Exhibit A, attached hereto and incorporated herein (LOS VALLES).

Whereas a final unit tract map, No. 52584-01, has been recorded on a portion of LOS VALLES, and two additional final unit tract maps, Nos. 52584-02 and 52584, are anticipated to eventually be filed at some future time.

Whereas SUBDIVIDER is the successor in interest to a prior owner of LOS VALLES, which prior owner had entered into an agreement with COUNTY to complete certain subdivision improvements on LOS VALLES.

Whereas, SUBDIVIDER previously posted performance and payment bonds with COUNTY as security to guarantee the completion of the subdivision improvements on LOS VALLES.

Whereas, SUBDIVIDER has requested COUNTY to substitute a lien on LOS VALLES in place of the bonds, and SUBDIVIDER and COUNTY, concurrently herewith, intend to enter into an Agreement Related To The Substitution Of Security For Subdivision Improvements.

Whereas, COUNTY desires to ensure that all improvements proposed to be constructed within the easements offered for dedication in LOS VALLES meet and comply with standards and plans approved and implemented by COUNTY.

FIRST: SUBDIVIDER, for and in consideration of COUNTY'S acceptance of substitute security and release of the above-referenced bonds, hereby agrees, at SUBDIVIDER'S own cost and expense, to furnish all labor, materials, and equipment necessary to perform and complete the following improvement(s) and/or work in connection with LOS VALLES, within four (4) years from the date of this AGREEMENT, or such extensions as COUNTY approves, in a good and workmanlike manner, to wit:

- A 5-foot CHAINLINK FENCE per the latest revision of Standard Plans for Public Works Construction No. 600 at the rear and/or side of lots/parcels \_\_\_\_\_ (inclusive) adjacent to \_\_\_\_\_. The estimated cost of this work is the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_).
- A COMBINATION MASONRY WALL AND CHAINLINK FENCE per the latest revision of Standard Plans for Public Works Construction No. 621-1 at the rear and/or side of lots/parcel \_\_\_\_\_ (inclusive) adjacent to \_\_\_\_\_. The estimated cost of this work is the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_).
- A 5-foot MASONRY WALL per the latest revision of Standard Plans for Public Works Construction No. 601-1 at the rear and/or side of lots/parcels \_\_\_\_\_ (inclusive) adjacent to \_\_\_\_\_. The estimated cost of this work is the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_).
- CORRECTIVE GEOLOGIC IMPROVEMENTS. Said work shall be done under the provisions of Title 26 of the Los Angeles County Code. The estimated cost of this work is the sum of Three Million Two Hundred Sixty-four Thousand and 00/100 Dollars (\$3,264,000.00).
- SANITARY SEWERS, and appurtenances thereto, under Private Contract No. 11838, in streets and/or rights of way. The estimated cost of this work is the sum of Three Million One Hundred Twenty Thousand and 00/100 Dollars (\$3,120,000.00).
- STORM DRAINS, and appurtenances thereto, under Private Drain No. 2593, in streets and/or rights of way. The estimated cost of this work is the sum of Three Million Two Hundred Twenty-seven Thousand Seven Hundred and 00/100 Dollars (\$3,227,700.00).
- Setting of SURVEY MONUMENTS AND TIE POINTS and furnishing to the Director of Public Works (hereinafter referred to as DIRECTOR), or

other designated COUNTY official, tie notes for said points, according to the provisions of Title 21 of the Los Angeles County Code regulating division and mapping of land; paying the surveyor or engineer of record, or his authorized substitute, for the work performed by him; and providing notice to SUBDIVIDER and DIRECTOR, or other designated COUNTY official, when monuments have been set as provided for in Division 2, Chapter 4, Article 9, of Title 7 of the Government Code (the Subdivision Map Act). The estimated cost of this work is the sum of Twenty-four Thousand Seven Hundred and 00/100 Dollars (\$24,700.00).

- [ x ] ON-SITE WATER SYSTEM FACILITIES including pump stations, water tanks, water mains, water wells, fire hydrants, and all other appurtenances, thereto, in dedicated public streets, private streets and easements, in accordance with plans and specifications on file with DIRECTOR. The estimated cost of this work is the sum of Two Million Six Hundred Sixty-seven Thousand and 00/100 Dollars (\$2,667,000.00).
- [ x ] ROAD IMPROVEMENTS in accordance with the approved road plans for said land division on file with DIRECTOR. The estimated cost of this work and improvements is the sum of Six Million One Hundred Thirty-four Thousand Seven Hundred Sixty-seven and 00/100 Dollars (\$6,134,767.00).
- [ x ] STREET TREE IMPROVEMENTS in accordance with the approved road plans for said land division on file with DIRECTOR. The estimated cost of this work and improvements is the sum of Two Hundred Seventy-one Thousand Eight Hundred and 00/100 Dollars (\$271,800.00).
- [ x ] OFF-SITE WATER SYSTEM. The estimated cost of this work is the sum of Three Million Four Hundred Eighteen Thousand and 00/100 Dollars (\$3,418,000.00).
- [ x ] TUNNEL PLANS. The estimated cost of this work is the sum of One Million Five Hundred Seventy-nine Thousand Nine Hundred and 00/100 Dollars (\$1,579,900.00).
- [ x ] CLUBHOUSE PRIVATE DRIVE. The estimated cost of this work is the sum of Two Hundred Twenty-eight Thousand Nine Hundred and 00/100 Dollars (\$228,900.00).
- [ x ] LOT TREES. The estimated cost of this work is the sum of One Hundred Thirty-four Thousand Six Hundred and 00/100 Dollars (\$134,600.00).

The above-mentioned improvement(s) are to be constructed within and without the boundaries of said land divisions according to the approved plans and/or applicable Standard Specifications for Public Works Construction, as amended, which are hereby made a part of this AGREEMENT, on file with DIRECTOR, and/or other COUNTY

officials, as applicable, and shall not be deemed completed until all inspection fees are paid and the work and improvements are approved or approved and accepted for maintenance by COUNTY as follows:

1. Fences and walls, as required by the Department of Regional Planning, when fully constructed according to standard plans. COUNTY will not assume maintenance responsibility for these improvements.
2. Corrective geologic improvements when fully constructed according to the plans and geotechnical reports on file with COUNTY. COUNTY will not assume maintenance responsibility for these improvements.
3. Sanitary sewers when fully constructed according to Private Contract No. 11838 on file with COUNTY. The acceptance for maintenance shall be effective on the date of the letter to SUBDIVIDER giving notice of the release of the improvement security for the work, unless another date is specified in the letter.
4. Storm drains when fully constructed according to Private Drain No. 2593 on file with COUNTY. The acceptance for maintenance can only be approved by the Board of Supervisors (hereinafter referred to as BOARD). The acceptance for maintenance shall be effective on the date of BOARD'S action. The improvement security shall be released after BOARD has acted to accept the storm drain(s).
5. Survey monuments when set according to the final tract map or final parcel map on file with COUNTY and all tie points are submitted to COUNTY. The improvement security shall be released after COUNTY has inspected the monuments and indexed the tie notes.
6. Water system facilities when fully constructed according to plans on file with COUNTY. The acceptance for maintenance by the private water utility or a County Waterworks District, as appropriate, shall be effective on the date of the letter to SUBDIVIDER giving notice of the release of the improvement security for the work, unless another date is specified in the letter.
7. Road improvements when fully constructed according to plans on file with COUNTY. Road improvements within dedicated public rights of way will be accepted for maintenance by COUNTY. Private and future streets will not be accepted into COUNTY roadway system for maintenance. The acceptance for maintenance of road improvements shall be effective on the date of the letter to SUBDIVIDER giving notice of the release of the improvement security for the work, unless another date is specified in the letter. In the interest of public safety or necessity, DIRECTOR may, at her sole discretion, accept for maintenance partial improvements completed

under the inspection of and deemed satisfactory to the DIRECTOR, or other designated COUNTY official. The acceptance for maintenance of partial improvements shall be effective on the date of the letter to SUBDIVIDER indicating that COUNTY will maintain these improvements.

8. Street tree improvements when fully constructed according to plans on file with COUNTY. Street trees within dedicated public rights of way will be accepted for maintenance by COUNTY. COUNTY will not assume maintenance responsibility for trees on private and future streets. The acceptance for maintenance of street tree improvements shall be effective on the date of the letter to SUBDIVIDER giving notice of the release of the improvement security for the work unless another date is specified in the latter. The improvement security for the street trees will be released one year after the internal inspection. If the trees are reinspected at that time and found to be healthy and the road improvements have been accepted as complete.

Furthermore, SUBDIVIDER shall maintain these improvements until accepted by COUNTY. Such maintenance includes, but is not limited to, graffiti removal, debris removal, brush/weed removal, rodent control, and concrete/asphalt and fence repairs.

SECOND: COUNTY has approved grading plans (Grading Plan Check No. GR 0408020002) for LOS VALLES, and certain grading has occurred thereon. SUBDIVIDER shall obtain a grading permit from COUNTY prior to commencing any further grading on LOS VALLES, and shall complete said grading in accordance with the terms and conditions of said grading permit and the provisions and requirements of Title 26 of the Los Angeles County Code (Building Code). Additionally, SUBDIVIDER shall mitigate any hazardous conditions, including flood and geotechnical hazards, arising from or caused by the existing or future grading, and shall perform any work that the COUNTY's Building Official determines is necessary to bring the existing or future grading into compliance with the Building Code. SUBDIVIDER shall provide security, as approved by COUNTY, to guarantee the performance of its obligations described in this paragraph, in the amount of Eight Million Four Hundred Thirty Thousand and 00/100 Dollars (\$8,430,000.00).

THIRD: That COUNTY shall not, nor shall any officer or employee thereof, be liable or responsible for any accident, loss, or damage happening or occurring within the easements offered or dedicated for improvements or to the improvements specified in this agreement prior to the completion, approval, and acceptance for maintenance of same. Nor shall COUNTY, nor any officer or employee thereof, be liable or responsible to persons for property damaged or injuries of said improvements or by reason of the acts, omissions or services of SUBDIVIDER, its agents or employees, in performance of the construction of said improvements prior to acceptance of said improvements by COUNTY. All of said liabilities shall be assumed by SUBDIVIDER. SUBDIVIDER further agrees to indemnify, defend, and save harmless COUNTY, its agents, officers, and employees from and against any and all liability, expense, including defense costs

and legal fees, and claims for damages of any nature whatsoever including, but not limited to, bodily injury, death, personal injury, or property damage arising from or connected with the acts, omissions, or services of SUBDIVIDER, its agents or employees hereunder, including any workers' compensation suits, liability, or expense, arising from or connected with the acts, omissions, or services by any person pursuant to this AGREEMENT, or arising out of the use of any patent or patented article in the construction of said improvements. For purposes of this paragraph, any work performed by COUNTY, its agents, or employees, under authority of Chapters 16.06 and/or 16.10 of Title 16 of the Los Angeles County Code, or under authority granted to COUNTY by Government Code Section 831.3, where such work by COUNTY has been initiated as a result of the failure of SUBDIVIDER to comply with any specification or requirement, or by failure of SUBDIVIDER to complete any work contemplated by this AGREEMENT, such work by COUNTY shall be deemed to have arisen out of and from the acts, omissions, or services of SUBDIVIDER, and for which SUBDIVIDER agrees to indemnify, defend, and save harmless COUNTY.

FOURTH: SUBDIVIDER hereby grants to COUNTY, the surety upon any Bond, the financial institution of any improvement security, and to the agents, employees, and contractor of them, upon any default by SUBDIVIDER of its obligations under this AGREEMENT and the failure to cure such default within 20 business days after written notice of such default has been sent to SUBDIVIDER (provided that if such cure cannot be completed within such 20-business-day period but SUBDIVIDER has commenced such cure within such 20-business-day period, then SUBDIVIDER shall not be deemed to have failed to timely cure such default so long as SUBDIVIDER diligently continues to pursue all commercially reasonable acts to cure such default), the irrevocable permission to enter upon the lands of the subject land division for the purpose of completing the improvement. The permission shall terminate in the event that SUBDIVIDER, financial institution, or the surety has completed the work within the time specified or any extension thereof granted by DIRECTOR or other designated COUNTY official.

FIFTH: SUBDIVIDER will at all times, from the approval of said land division to the completion of said work or improvement and acceptance for maintenance by COUNTY, as provided in the first paragraph above by COUNTY, give good and adequate warning of each and every dangerous condition caused by the construction of said improvements and will protect the traveling public therefrom.

SIXTH: It is further agreed that SUBDIVIDER shall have such control of the ground/area reserved for the installation of such work, and the streets in which they are to be placed, as is necessary to allow him/her to carry out this AGREEMENT.

SEVENTH: SUBDIVIDER hereby agrees to pay for the inspection of such work and improvements as may be required by DIRECTOR, or other designated COUNTY official, prior to the acceptance of said improvements by COUNTY.

EIGHTH: SUBDIVIDER shall give notice to DIRECTOR or other designated COUNTY official, at least twenty-four (24) hours before beginning any work or improvements contemplated by this AGREEMENT and shall furnish said DIRECTOR all reasonable facilities for obtaining full information respecting the progress and manner of work.

NINTH: SUBDIVIDER agrees to grant to COUNTY such easements and/or fee rights as are necessary for the upkeep and maintenance by COUNTY of the improvements agreed to be constructed herein.

TENTH: SUBDIVIDER shall perform any changes or alterations necessitated by field conditions and based on applicable standard specifications in the construction and installation of such improvements required by COUNTY, provided that all such changes or alterations do not exceed ten percent (10%) of the original total estimated cost of such improvements. Said cost is to be borne by SUBDIVIDER.

ELEVENTH: SUBDIVIDER shall guarantee such improvements for a period of one (1) year following acceptance for maintenance by COUNTY against any defective work or labor done or defective materials in the performance of this AGREEMENT by SUBDIVIDER.

TWELFTH: SUBDIVIDER hereby agrees that all work on any County Highway, which existed prior to the filing of said map, shall be completed in accordance with the terms and provisions of Title 16, Division 1, of the Los Angeles County Code (Highway Permits). Said code requires, in part, that once work is commenced it shall be prosecuted in a diligent and workmanlike manner to completion. If COUNTY determines that SUBDIVIDER has failed to perform as therein specified, COUNTY reserves the right to exclude SUBDIVIDER from the site and complete the work contemplated by COUNTY forces or by separate contract. SUBDIVIDER further agrees to reimburse COUNTY for all charges accruing as a result of such construction by COUNTY forces or separate contract.

THIRTEENTH: It is further agreed that SUBDIVIDER has filed with COUNTY, an acceptable and sufficient improvement security in an amount not less than the estimated cost of the work and improvements, as above specified, for the faithful performance of the terms and conditions and guarantees of this AGREEMENT and has also deposited with the COUNTY a good and sufficient payment security for labor and materials in the amount prescribed by law to secure the claims to which reference is made in Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code. If said improvement security or payment security becomes insufficient in the opinion of COUNTY, SUBDIVIDER agrees to renew said improvement security and/or payment security with good and sufficient improvement security and/or payment security within ten (10) days after being requested to do so by COUNTY.

FOURTEENTH: If SUBDIVIDER neglects, refuses, or fails to prosecute the work with such diligence as to ensure its completion within the time specified, or within such extensions of said time as have been granted by the DIRECTOR, or if SUBDIVIDER

violates, neglects, refuses, or fails to perform satisfactorily any of the provisions of the plans and specifications, or if SUBDIVIDER neglects, refuses, or fails to pay the inspection fees for the work and improvements, SUBDIVIDER shall be in default of this AGREEMENT and notice in writing of such default shall be served upon SUBDIVIDER and upon any surety or financial institution in connection with this AGREEMENT. DIRECTOR, or other designated COUNTY official, shall have the power to terminate all rights of SUBDIVIDER in such AGREEMENT, but said termination shall not affect or terminate any of the rights of COUNTY as against SUBDIVIDER, financial institution, or surety then existing or which thereafter accrue because of such default. The determination by DIRECTOR, or other designated COUNTY official, of the question as to whether any of the terms of the AGREEMENT or specifications have been violated, or have not been performed satisfactorily, shall be conclusive upon SUBDIVIDER, his surety, and any and all other parties who may have any interest in the AGREEMENT or any portion thereof. The foregoing provisions of this section shall be in addition to all other rights and remedies available to COUNTY under law.

FIFTEENTH: In the event legal action is brought upon this AGREEMENT, SUBDIVIDER hereby agrees to pay to COUNTY reasonable attorney's fees and costs incurred in prosecuting such action, until such time as COUNTY accepts the work and improvements completed pursuant to this AGREEMENT.

SIXTEENTH: It is further agreed by and between the parties hereto, including the surety or sureties on any bond attached to this AGREEMENT or the financial institution guaranteeing the improvement security and payment security, that in the event it is deemed necessary by COUNTY to extend the time of completion of the work contemplated to be done under this AGREEMENT, said extension may be granted by DIRECTOR, or other designated COUNTY official, either at her own option or upon request of SUBDIVIDER, and shall in no way affect the validity of this AGREEMENT or release the surety or sureties on any bond attached hereto or the financial institution guaranteeing the improvement security and payment security. SUBDIVIDER further agrees to maintain said improvement security and payment security in full force and effect during the terms of this AGREEMENT, including any extensions of time as may be granted therein. DIRECTOR, or other designated COUNTY official, may condition any extension of time upon the provision of additional good and sufficient improvement security and payment security if DIRECTOR, or other designated COUNTY official determines, in his/her sole discretion, that the existing security is insufficient to guarantee the costs of completing the work and improvements.

SEVENTEENTH: It is further agreed by and between the parties hereto that this AGREEMENT firmly binds the parties, their heirs, executors, administrators, successors, or assignees, jointly and severally. SUBDIVIDER shall immediately notify the DIRECTOR, or other designated COUNTY official, of any change in ownership or other event, which alters the responsibility for completing the work and improvements.

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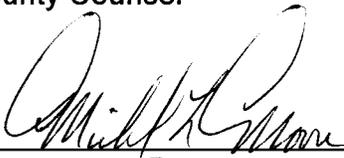
IN WITNESS thereby, \_\_\_\_\_ has executed this AGREEMENT on \_\_\_\_\_, 2011.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
DIRECTOR OF PUBLIC WORKS

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN  
County Counsel

By  \_\_\_\_\_  
Deputy

SFI LOS VALLES LLC,  
a Delaware limited liability company:

By \_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

Note: All SUBDIVIDER signatures must be acknowledged before a notary public.  
(Attach appropriate acknowledgments/jurats).

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# EXHIBIT "A"

**EXHIBIT "ONE"**

PARCEL 1: (APN 2866-052-001, 2866-001-017, 2866-001-078, 2866-001-080, 2866-001-071, 2866-001-074, 3247-032-01, 3247-032-35 AND 3247-032-043 TO 045, INCLUSIVE)

PARCEL 1 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-1524850 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTA J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963, IN BOOK D1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCELS 1 AND 3 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED MARCH 12, 1956 AS INSTRUMENT NO. 726, IN BOOK 50563 PAGE 48 OFFICIAL RECORDS, AN UNDIVIDED ONE-THIRD OF ALL OIL, GAS AND OTHER RIGHTS AS RESERVED IN DEED FROM LEA STEVENS MCGILLIVRAE RECORDED MARCH 12, 1956 IN BOOK 50563 PAGE 48 OFFICIAL RECORDS.

ALL RIGHTS, TITLE AND INTEREST TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE DOWN TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF TOGETHER WITH ALL RIGHTS OF SURFACE ENTRY THEREON HAS BEEN QUITCLAIMED BY LEA STEVENS MCGILLIVRAE BY DEED RECORDED NOVEMBER 28, 1969 AS INSTRUMENT NO. 730, IN BOOK D4567 PAGE 44 OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150, OFFICIAL RECORDS, AN UNDIVIDED 50 PER CENT OF 100 PER CENT OF ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES LYING IN OR UNDER SAID LAND, BUT WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED BY ANGELA HARRISON, A WIDOW, IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150

**OFFICIAL RECORDS.**

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, DESCRIBED IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309, ALL OIL AND GAS AS RESERVED BY THE UNITED STATES OF AMERICA IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF; BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM SAID LAST MENTIONED PORTION OF SAID LAND, THE SUBSURFACE WATER RIGHTS, BUT WITHOUT THE RIGHT OF ENTRY TO THE SURFACE OR SUBSURFACE ABOVE A DEPTH OF 50 FEET, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 200 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470027.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AND INCLUDING THE RIGHT TO USE THE SURFACE OF SAID LAND AND ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY, AS RESERVED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470030.

THE RIGHT OF SURFACE ENTRY TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE TO A DEPTH OF 500 FEET OF SAID LAND WAS QUITCLAIMED BY QUITCLAIM DEED EXECUTED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, RECORDED JULY 28, 2003 INSTRUMENT NO. 03-2134554.

PARCEL 2: (APN 3247-032-046)

PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTE J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963,

IN BOOK D 1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134552.

PARCEL 3: (APN 2866-001-077)

PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-152850 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134546.

PARCEL 4: (APN 2866-001-015, 2866-001-016 AND 2866-001-029)

LOTS 2 AND 3 AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO BASE AND MERIDIAN, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND FILED IN THE DISTRICT LAND OFFICE SEPTEMBER 6, 1880.

EXCEPT ALL OIL, GAS AND MINERALS IN AND UNDER SAID LAND AS RESERVED IN THE PATENT FROM UNITED STATES OF AMERICA, RECORDED MAY 7, 1947 IN BOOK 24535 PAGE 351, OFFICIAL RECORDS.

PARCEL 5:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE EASTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 2, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE SOUTH 89°48'34" EAST 459.98 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 00°00'25" WEST 126.39 FEET.

THE WESTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 63°43'23" WEST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 00°00'25" WEST 126.39 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 80.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 6:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH 78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 340.30 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SAID SECTIONS 2 AND 3 AND THE TRUE POINT OF BEGINNING; THENCE SOUTH 72°20'30" EAST, 60.84 FEET; THENCE SOUTH 11°02'22" EAST, 114.00 FEET; THENCE NORTH 72°20'30" WEST, 83.96 FEET TO A POINT IN SAID COMMON LINE BETWEEN SECTIONS 2 AND 3, SAID POINT BEING SOUTH 00°06'40" WEST 104.88 FEET FROM THE TRUE POINT OF BEGINNING; THENCE ALONG SAID COMMON LINE NORTH 00°06'40" WEST 104.88 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 7:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE WESTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET.

THE EASTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 65°06'18" EAST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 03°36'18" EAST 223.96 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 40.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 8:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH

ALTA Loan Policy (10-17-92) w/Form 1 Cov.

Order No. 9851188  
Policy No. 27-042-92 3657353

78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 240.05 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG LAST MENTIONED LINE NORTH 06°16'57" WEST 100.25 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SECTION 3 AND SECTION 2, BOTH IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN; THENCE ALONG SAID COMMON LINE SOUTH 00°06'40" WEST 104.88 FEET; THENCE NORTH 72°20'30" WEST, 64.90 FEET; THENCE NORTH 35°31'39" WEST, 165.97 FEET; THENCE NORTH 52°01'14" WEST, 48.81 FEET; THENCE SOUTH 87°45'06" WEST, 96.10 FEET TO THE TRUE POINT OF BEGINNING.

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC WORKS  
Land Development Division  
P.O. Box 1460  
Alhambra, CA 91802-1460

(SPACE ABOVE FOR RECORDER'S USE)

**AGREEMENT RELATED TO THE SUBSTITUTION OF SECURITY FOR  
SUBDIVISION IMPROVEMENTS**

**THIS AGREEMENT RELATED TO THE SUBSTITUTION OF SECURITY FOR SUBDIVISION IMPROVEMENTS** (hereinafter referred to as AGREEMENT) is made and entered into as of this \_\_\_ day of August 2011 (hereinafter referred to as EFFECTIVE DATE), by and between **SFI Los Valles LLC, a Delaware limited liability company** (hereinafter referred to as OWNER), and the County of Los Angeles, State of California, acting by and through the Director of Public Works (hereinafter referred to as COUNTY), and is made with reference to the facts set forth below. OWNER and COUNTY, whenever referenced collectively, shall be hereinafter referred to as PARTIES, and whenever referenced individually, shall be referred to as a PARTY.

**RECITALS**

WHEREAS OWNER is the owner and subdivider of certain real property in the County of Los Angeles commonly known as Los Valles, as more particularly described in Exhibit A, attached hereto and incorporated herein (LOS VALLES); and

WHEREAS, OWNER and COUNTY, concurrently herewith, intend to enter into County of Los Angeles Department of Public Works Multiple Agreement for Tract/Parcel Map Nos. 52584-01, 52584-02, and 52584 (hereinafter referred to as IMPROVEMENT AGREEMENT), which requires OWNER, among other things, to complete certain subdivision improvements in connection with the development of LOS VALLES; and

WHEREAS, OWNER, has posted twelve (12) performance and payment bonds, with an aggregate value of Forty-four Million Five Hundred Thousand One and 00/100 Dollars (\$44,500,001.00) as more particularly described on Exhibit B attached hereto (hereinafter referred to as BONDS), with COUNTY as security to guarantee the performance of OWNER'S obligations under the IMPROVEMENT AGREEMENT; and

WHEREAS OWNER is the sole owner of LOS VALLES and no mechanics' or materialman liens or deeds of trust are currently recorded against LOS VALLES, except those specified in Exhibit E; and

WHEREAS because of the current depressed conditions of the real estate market in Los Angeles County, California, it is anticipated that there will be a lack of public interest in purchasing the homes, anticipated to be built at LOS VALLES for the immediate future, and therefore, it would not be in the public interest to require the installation of the public improvements at LOS VALLES at the present time or at any time within at least the next two years; and

WHEREAS the Subdivision Map Act Government Code Section 66499(a)(4) authorizes the COUNTY to accept a lien upon the property to be subdivided as security to guarantee the performance of OWNER'S obligations under the IMPROVEMENT AGREEMENT, under the circumstances referenced above.

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated into this AGREEMENT, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, PARTIES agree as follows:

**AGREEMENT**

1. OWNER shall execute and deliver to COUNTY a lien upon LOS VALLES substantially in the form of Exhibit C, attached hereto and incorporated herein by reference (COUNTY LIEN), and COUNTY shall accept and promptly record the COUNTY LIEN.
2. OWNER shall execute and deliver to COUNTY a Covenant and Agreement to Hold Property As One Parcel, substantially in the form of Exhibit D, attached hereto and incorporated herein by reference (COVENANT), and COUNTY shall promptly record the COVENANT.
3. Not later than thirty (30) days after the recordation of the COUNTY LIEN and the COVENANT, COUNTY shall execute and deliver to OWNER a release of BONDS.
4. If OWNER elects at any time, in its sole discretion, to move forward with the completion of the subdivision improvements identified in IMPROVEMENT AGREEMENT, or any of them, [or with an alternate development] OWNER shall post with COUNTY replacement bonds in conformance with then-existing plans and specifications and bond estimates, to guarantee the performance of OWNER'S obligations under IMPROVEMENT AGREEMENT, [or the infrastructure requirements of the alternate development]. Upon posting of any such replacement bonds, COUNTY shall cause to be recorded a release of the COUNTY LIEN and a release of the COVENANT in the Official Records of COUNTY. At OWNER'S election, in its sole discretion, such substitution and release may occur in phases if LOS VALLES development is to proceed in phases in accordance with reapproved phased improvement plans and bonds. This Section 4 shall not apply to the Palmer Well Remaining Work, as specified on Exhibit F, and OWNER may perform such work without having first posted replacement bonds therefor.
5. All notices, demands, or requests in connection with this AGREEMENT may be personally delivered or sent by facsimile, recognized overnight delivery service, or United States mail, postage prepaid, to the persons set forth below, and shall be deemed received upon personal delivery, confirmation of facsimile transmission, one (1) day following deposit with an overnight delivery service, and two (2) days after deposit with the United States mail. All notices shall be addressed as follows or as PARTIES may from time to time specify in writing:

If to OWNER:                   **SFI Los Valles LLC**  
  Attention Mr. Steven H. Magee  
  c/o iStar Financial Inc.  
  5 Park Place, Suite 1640  
  Irvine, California 92614  
  Fax: (949) 567-8066  
  Telephone: (949) 567-2411

With a Copy to:               Katten Muchin Rosenman, LLP  
  Attention Mr. Benzion J. Westreich, Esq.  
  2029 Century Park East, Suite 2600  
  Los Angeles, California 90067  
  Fax: (310) 712-8228  
  Telephone: (310) 788-4409

If to COUNTY: County of Los Angeles  
Department of Public Works  
Attention Land Development Division,  
Subdivision Management Section  
900 South Fremont Avenue  
Alhambra, California 91803  
Fax: (626) 458-4949  
Telephone: (626) 458-4910

6. **Miscellaneous**

- 6.1 **Counterparts.** This AGREEMENT may be executed in more than one (1) counterpart, each of which shall be deemed an original and all of which together shall constitute one (1) and the same instrument.
- 6.2 **Covenants Running With the Land.** Each of OWNER'S obligations contained in this AGREEMENT shall constitute a covenant running with the land, which covenant touches and concerns the land, and each such obligation shall run in favor of COUNTY and shall be binding on OWNER and its successors and assigns.
- 6.3 **Execution of Other Documents.** PARTIES hereto agree that each PARTY (at no cost, liability, or expense to such PARTY) will cooperate with the other and will execute and deliver, or cause to be delivered, all such other reasonable instruments and will take all such other reasonable actions, as each PARTY hereto reasonably requests, from time to time, in order to effectuate the provisions and purposes hereof.
- 6.4 **Severability.** In the event that any phrase, clause, sentence, paragraph, section, article, or other portion of this AGREEMENT shall become illegal, null, or void or against public policy, for any reason, or shall be held by any court of competent jurisdiction to be illegal, null, or void or against public policy, the remaining portions of this AGREEMENT shall not be affected thereby and shall remain in force and effect to the fullest extent permissible by law.
- 6.5 **Entire Agreement.** This AGREEMENT constitutes the entire agreement and understanding between PARTIES concerning the subject matter of this AGREEMENT and supersedes all prior agreements, terms, understandings, conditions, representations, and warranties, whether written or oral, made by and between PARTIES concerning the matters which are the subject of this AGREEMENT.
- 6.6 **Recitals.** The Recitals set forth above are incorporated herein by this reference.
- 6.7 **Amendment.** No amendment, modification, termination, or waiver of any provision of this AGREEMENT shall be effective unless executed in writing by PARTIES and then only for the specific purpose stated in such amending document.
- 6.8 **Authority To Execute Agreement.** Each individual executing this AGREEMENT represents that he or she is duly authorized to execute and deliver this AGREEMENT on behalf of such PARTY and agrees to deliver evidence of his or her authority to the other PARTY upon request by the other PARTY.
- 6.9 **Governing Law and Venue.** This AGREEMENT shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed in California. Venue will be in the Superior Court for the County of Los Angeles.

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

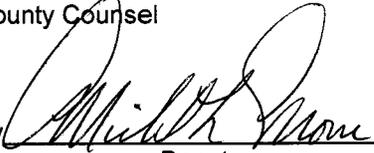
IN WITNESS WHEREOF, the undersigned have executed this AGREEMENT as of the EFFECTIVE DATE first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
Gail Farber  
Director of Public Works

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN  
County Counsel

By  \_\_\_\_\_  
Deputy

**SFI LOS VALLES LLC,**  
a Delaware limited liability company

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_ (here insert name and title of the officer), personally appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_ (here insert name and title of the officer), personally appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**EXHIBIT A**

**Legal Description**

(Attached)

# EXHIBIT "A"

**EXHIBIT "ONE"**

PARCEL 1: (APN 2866-052-001, 2866-001-017, 2866-001-078, 2866-001-080, 2866-001-071, 2866-001-074, 3247-032-01, 3247-032-35 AND 3247-032-043 TO 045, INCLUSIVE)

PARCEL 1 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-1524850 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTA J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963, IN BOOK D1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCELS 1 AND 3 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED MARCH 12, 1956 AS INSTRUMENT NO. 726, IN BOOK 50563 PAGE 48 OFFICIAL RECORDS, AN UNDIVIDED ONE-THIRD OF ALL OIL, GAS AND OTHER RIGHTS AS RESERVED IN DEED FROM LEA STEVENS MCGILLIVRAE RECORDED MARCH 12, 1956 IN BOOK 50563 PAGE 48 OFFICIAL RECORDS.

ALL RIGHTS, TITLE AND INTEREST TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE DOWN TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF TOGETHER WITH ALL RIGHTS OF SURFACE ENTRY THEREON HAS BEEN QUITCLAIMED BY LEA STEVENS MCGILLIVRAE BY DEED RECORDED NOVEMBER 28, 1969 AS INSTRUMENT NO. 730, IN BOOK D4567 PAGE 44 OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150, OFFICIAL RECORDS, AN UNDIVIDED 50 PER CENT OF 100 PER CENT OF ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES LYING IN OR UNDER SAID LAND, BUT WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED BY ANGELA HARRISON, A WIDOW, IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150

**OFFICIAL RECORDS.**

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, DESCRIBED IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309, ALL OIL AND GAS AS RESERVED BY THE UNITED STATES OF AMERICA IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF; BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM SAID LAST MENTIONED PORTION OF SAID LAND, THE SUBSURFACE WATER RIGHTS, BUT WITHOUT THE RIGHT OF ENTRY TO THE SURFACE OR SUBSURFACE ABOVE A DEPTH OF 50 FEET, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 200 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470027.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AND INCLUDING THE RIGHT TO USE THE SURFACE OF SAID LAND AND ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY, AS RESERVED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470030.

THE RIGHT OF SURFACE ENTRY TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE TO A DEPTH OF 500 FEET OF SAID LAND WAS QUITCLAIMED BY QUITCLAIM DEED EXECUTED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, RECORDED JULY 28, 2003 INSTRUMENT NO. 03-2134554.

PARCEL 2: (APN 3247-032-046)

PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTE J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963,

IN BOOK D 1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134552.

PARCEL 3: (APN 2866-001-077)

PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-152850 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134546.

PARCEL 4: (APN 2866-001-015, 2866-001-016 AND 2866-001-029)

LOTS 2 AND 3 AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO BASE AND MERIDIAN, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND FILED IN THE DISTRICT LAND OFFICE SEPTEMBER 6, 1880.

EXCEPT ALL OIL, GAS AND MINERALS IN AND UNDER SAID LAND AS RESERVED IN THE PATENT FROM UNITED STATES OF AMERICA, RECORDED MAY 7, 1947 IN BOOK 24535 PAGE 351, OFFICIAL RECORDS.

PARCEL 5:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE EASTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 2, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE SOUTH 89°48'34" EAST 459.98 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 00°00'25" WEST 126.39 FEET.

THE WESTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 63°43'23" WEST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 00°00'25" WEST 126.39 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 80.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 6:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH 78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 340.30 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SAID SECTIONS 2 AND 3 AND THE TRUE POINT OF BEGINNING; THENCE SOUTH 72°20'30" EAST, 60.84 FEET; THENCE SOUTH 11°02'22" EAST, 114.00 FEET; THENCE NORTH 72°20'30" WEST, 83.96 FEET TO A POINT IN SAID COMMON LINE BETWEEN SECTIONS 2 AND 3, SAID POINT BEING SOUTH 00°06'40" WEST 104.88 FEET FROM THE TRUE POINT OF BEGINNING; THENCE ALONG SAID COMMON LINE NORTH 00°06'40" WEST 104.88 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 7:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE WESTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH  $89^{\circ}48'34''$  WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH  $70^{\circ}55'27''$  WEST 45.19 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH  $03^{\circ}36'18''$  EAST 223.96 FEET.

THE EASTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH  $65^{\circ}06'18''$  EAST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH  $03^{\circ}36'18''$  EAST 223.96 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 40.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 8:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH  $89^{\circ}48'34''$  WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH  $70^{\circ}55'27''$  WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH  $03^{\circ}36'18''$  EAST 223.96 FEET; THENCE NORTH  $65^{\circ}06'18''$  EAST, 94.00 FEET; THENCE NORTH  $03^{\circ}36'18''$  EAST, 98.00 FEET; THENCE NORTH

ALTA Loan Policy (10-17-92) w/Form 1 Cov.

Order No. 9851188  
Policy No. 27-042-92 3657353

78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 240.05 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG LAST MENTIONED LINE NORTH 06°16'57" WEST 100.25 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SECTION 3 AND SECTION 2, BOTH IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN; THENCE ALONG SAID COMMON LINE SOUTH 00°06'40" WEST 104.88 FEET; THENCE NORTH 72°20'30" WEST, 64.90 FEET; THENCE NORTH 35°31'39" WEST, 165.97 FEET; THENCE NORTH 52°01'14" WEST, 48.81 FEET; THENCE SOUTH 87°45'06" WEST, 98.10 FEET TO THE TRUE POINT OF BEGINNING.

**EXHIBIT B**

**Bonds**

<b><i>Bond No.</i></b>	<b><i>Bond Type</i></b>	<b><i>Bond Amounts</i></b>	
5016810-1-1	Subdivision - Sewer	Faithful Performance	\$3,120,000.00
		Labor and Materials	\$1,560,000.00
5016811-1-1	Subdivision - On-site Water	Faithful Performance	\$2,667,000.00
		Labor and Materials	\$1,333,500.00
5024576-1-1	Subdivision - Off-site Water	Faithful Performance	\$3,418,000.00
		Labor and Materials	\$1,709,000.00
5024577-1-1	Subdivision - Road	Faithful Performance	\$6,134,767.00
		Labor and Materials	\$3,067,384.00
5024578-1-1	Subdivision - Clubhouse Private Drive	Faithful Performance	\$228,900.00
		Labor and Materials	\$114,450.00
5024579-1-1	Subdivision - Lot Trees	Faithful Performance	\$134,600.00
		Labor and Materials	\$67,300.00
5024580-1-1	Subdivision - Tunnel Plans	Faithful Performance	\$1,579,900.00
		Labor and Materials	\$789,950.00
5024581-1-1	Subdivision - Storm Drain	Faithful Performance	\$3,227,700.00
		Labor and Materials	\$1,613,850.00
5024582-1-1	Subdivision - Corrective Geologic	Faithful Performance	\$3,264,000.00
		Labor and Materials	\$1,632,000.00
5024583-1-1	Subdivision - Street Trees	Faithful Performance	\$271,800.00
		Labor and Materials	\$135,900.00
5024584-1-1	Subdivision - Grading		\$4,215,000.00
5024585-1-1	Subdivision - Grading		\$4,215,000.00

***Grand Total***                      ***\$44,500,001.00***

**EXHIBIT C**

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC WORKS  
Land Development Division  
P.O. Box 1460  
Alhambra, CA 91802-1460

(SPACE ABOVE FOR RECORDER'S USE)

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**GOVERNMENT CODE §66499(a)(4) LIEN**

WHEREAS, **SFI Los Valles LLC, a Delaware limited liability company** (OWNER) is the owner and subdivider of certain real property in the County of Los Angeles commonly known as Los Valles, as more particularly described in Exhibit 1, attached hereto and incorporated herein (LOS VALLES); and

WHEREAS, OWNER and COUNTY have entered into County of Los Angeles Department of Public Works Multiple Agreement For Tract/Parcel Map Nos. 52584-01; 52584-02; and 52584, dated \_\_\_\_\_, 2011 (IMPROVEMENT AGREEMENT), which requires OWNER, among other things, to complete certain subdivision improvements in connection with the development of LOS VALLES; and

WHEREAS, OWNER has posted twelve (12) performance and payment bonds, as more particularly described on Exhibit 2 attached hereto (BONDS), with COUNTY, as security to guarantee the performance of OWNER'S obligations under IMPROVEMENT AGREEMENT; and

WHEREAS, the total aggregate amount of the BONDS is Forty-four Million Five Hundred Thousand One and 00/100 Dollars (\$44,500,001.00); and

WHEREAS, OWNER and COUNTY have entered into an "Agreement Related to the Substitution of Security for Subdivision Improvements", the terms of which are incorporated herein by reference, pursuant to which OWNER has agreed to provide, and COUNTY has agreed to accept, a lien upon LOS VALLES (COUNTY LIEN) as security to guarantee the performance of OWNER'S obligations under IMPROVEMENT AGREEMENT, in place of the previously posted BONDS; and

NOW, THEREFORE, OWNER hereby grants to COUNTY a lien upon LOS VALLES in the amount of Forty-four Million Five Hundred Thousand One and 00/100 Dollars (\$44,500,001.00) to guarantee the performance of OWNER'S obligations under IMPROVEMENT AGREEMENT.

**[SIGNATURES CONTINUE ON FOLLOWING PAGE]**

**SFI LOS VALLES LLC,  
a Delaware limited liability company**

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_ (here insert name and title of the officer), personally appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_ (here insert name and title of the officer), personally appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**EXHIBIT 1**

**Legal Description**

(Attached)

**EXHIBIT "ONE"**

PARCEL 1: (APN 2866-052-001, 2866-001-017, 2866-001-078, 2866-001-080, 2866-001-071, 2866-001-074, 3247-032-01, 3247-032-35 AND 3247-032-043 TO 045, INCLUSIVE)

PARCEL 1 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-1524850 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTA J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963, IN BOOK D1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCELS 1 AND 3 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED MARCH 12, 1956 AS INSTRUMENT NO. 726, IN BOOK 50563 PAGE 48 OFFICIAL RECORDS, AN UNDIVIDED ONE-THIRD OF ALL OIL, GAS AND OTHER RIGHTS AS RESERVED IN DEED FROM LEA STEVENS MCGILLIVRAE RECORDED MARCH 12, 1956 IN BOOK 50563 PAGE 48 OFFICIAL RECORDS.

ALL RIGHTS, TITLE AND INTEREST TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE DOWN TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF TOGETHER WITH ALL RIGHTS OF SURFACE ENTRY THEREON HAS BEEN QUITCLAIMED BY LEA STEVENS MCGILLIVRAE BY DEED RECORDED NOVEMBER 28, 1969 AS INSTRUMENT NO. 730, IN BOOK D4567 PAGE 44 OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150, OFFICIAL RECORDS, AN UNDIVIDED 50 PER CENT OF 100 PER CENT OF ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES LYING IN OR UNDER SAID LAND, BUT WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED BY ANGELA HARRISON, A WIDOW, IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150

**OFFICIAL RECORDS.**

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, DESCRIBED IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309, ALL OIL AND GAS AS RESERVED BY THE UNITED STATES OF AMERICA IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF; BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM SAID LAST MENTIONED PORTION OF SAID LAND, THE SUBSURFACE WATER RIGHTS, BUT WITHOUT THE RIGHT OF ENTRY TO THE SURFACE OR SUBSURFACE ABOVE A DEPTH OF 50 FEET, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 200 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470027.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AND INCLUDING THE RIGHT TO USE THE SURFACE OF SAID LAND AND ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY, AS RESERVED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470030.

THE RIGHT OF SURFACE ENTRY TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE TO A DEPTH OF 500 FEET OF SAID LAND WAS QUITCLAIMED BY QUITCLAIM DEED EXECUTED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, RECORDED JULY 28, 2003 INSTRUMENT NO. 03-2134554.

PARCEL 2: (APN 3247-032-046)

PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTE J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963,

IN BOOK D 1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134552.

PARCEL 3: (APN 2866-001-077)

PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-152850 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134546.

PARCEL 4: (APN 2866-001-015, 2866-001-016 AND 2866-001-029)

LOTS 2 AND 3 AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO BASE AND MERIDIAN, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND FILED IN THE DISTRICT LAND OFFICE SEPTEMBER 6, 1880.

EXCEPT ALL OIL, GAS AND MINERALS IN AND UNDER SAID LAND AS RESERVED IN THE PATENT FROM UNITED STATES OF AMERICA, RECORDED MAY 7, 1947 IN BOOK 24535 PAGE 351, OFFICIAL RECORDS.

PARCEL 5:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE EASTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 2, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE SOUTH 89°48'34" EAST 459.98 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 00°00'25" WEST 126.39 FEET.

THE WESTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 63°43'23" WEST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 00°00'25" WEST 126.39 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 80.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 6:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH 78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 340.30 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SAID SECTIONS 2 AND 3 AND THE TRUE POINT OF BEGINNING; THENCE SOUTH 72°20'30" EAST, 60.84 FEET; THENCE SOUTH 11°02'22" EAST, 114.00 FEET; THENCE NORTH 72°20'30" WEST, 83.96 FEET TO A POINT IN SAID COMMON LINE BETWEEN SECTIONS 2 AND 3, SAID POINT BEING SOUTH 00°06'40" WEST 104.88 FEET FROM THE TRUE POINT OF BEGINNING; THENCE ALONG SAID COMMON LINE NORTH 00°06'40" WEST 104.88 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 7:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE WESTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET.

THE EASTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 65°06'18" EAST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 03°36'18" EAST 223.96 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 40.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 8:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH

ALTA Loan Policy (10-17-92) w/Form 1 Cov.

Order No. 9851188  
Policy No. 27-042-92 3657353

78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 240.05 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG LAST MENTIONED LINE NORTH 06°16'57" WEST 100.25 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SECTION 3 AND SECTION 2, BOTH IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN; THENCE ALONG SAID COMMON LINE SOUTH 00°06'40" WEST 104.88 FEET; THENCE NORTH 72°20'30" WEST, 64.90 FEET; THENCE NORTH 35°31'39" WEST, 165.97 FEET; THENCE NORTH 52°01'14" WEST, 48.81 FEET; THENCE SOUTH 87°45'06" WEST, 98.10 FEET TO THE TRUE POINT OF BEGINNING.

**EXHIBIT 2**

**Bonds**

<b><i>Bond No.</i></b>	<b><i>Bond Type</i></b>	<b><i>Bond Amounts</i></b>	
5016810-1-1	Subdivision - Sewer	Faithful Performance	\$3,120,000.00
		Labor and Materials	\$1,560,000.00
5016811-1-1	Subdivision - On-site Water	Faithful Performance	\$2,667,000.00
		Labor and Materials	\$1,333,500.00
5024576-1-1	Subdivision - Off-site Water	Faithful Performance	\$3,418,000.00
		Labor and Materials	\$1,709,000.00
5024577-1-1	Subdivision - Road	Faithful Performance	\$6,134,767.00
		Labor and Materials	\$3,067,384.00
5024578-1-1	Subdivision - Clubhouse Private Drive	Faithful Performance	\$228,900.00
		Labor and Materials	\$114,450.00
5024579-1-1	Subdivision - Lot Trees	Faithful Performance	\$134,600.00
		Labor and Materials	\$67,300.00
5024580-1-1	Subdivision - Tunnel Plans	Faithful Performance	\$1,579,900.00
		Labor and Materials	\$789,950.00
5024581-1-1	Subdivision - Storm Drain	Faithful Performance	\$3,227,700.00
		Labor and Materials	\$1,613,850.00
5024582-1-1	Subdivision - Corrective Geologic	Faithful Performance	\$3,264,000.00
		Labor and Materials	\$1,632,000.00
5024583-1-1	Subdivision - Street Trees	Faithful Performance	\$271,800.00
		Labor and Materials	\$135,900.00
5024584-1-1	Subdivision - Grading		\$4,215,000.00
5024585-1-1	Subdivision - Grading		\$4,215,000.00

***Grand Total***                      ***\$44,500,001.00***

**EXHIBIT D**

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC WORKS  
Land Development Division  
P.O. Box 1460  
Alhambra, CA 91802-1460

(SPACE ABOVE FOR RECORDER'S USE)

**COVENANT AND AGREEMENT TO HOLD PROPERTY AS ONE PARCEL**

SFI LOS VALLES LLC (OWNER) hereby certifies that it is the owner of real property located in the County of Los Angeles, State of California, as more particularly described in Exhibit 1, attached hereto and incorporated herein (hereinafter referred to as LOS VALLES).

OWNER hereby agrees and covenants with the County of Los Angeles (COUNTY) that LOS VALLES shall be held as one parcel and no portion shall be sold separately.

OWNER understands and acknowledges that COUNTY will rely on this Covenant and Agreement in connection with COUNTY'S release of certain subdivision bonds related to the development of LOS VALLES.

This covenant and agreement shall run with all of the above-described land and shall be binding upon OWNER, future owners, encumbrances, their successors, heirs, or assignees and shall continue in effect until released by the of the Director of Public Works of the County of Los Angeles upon submittal of request and applicable fees and the Director's determination that the Covenant and Agreement is no longer required.

**SFI LOS VALLES LLC,  
a Delaware limited liability company**

By \_\_\_\_\_

By \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 2011, before me, \_\_\_\_\_ (here insert name and title of the officer), personally appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

STATE OF \_\_\_\_\_ )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 2011 before me, \_\_\_\_\_ (here insert name and title of the officer), personally appeared \_\_\_\_\_ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**EXHIBIT 1**

**Legal Description**

(Attached)

**EXHIBIT "ONE"**

PARCEL 1: (APN 2866-052-001, 2866-001-017, 2866-001-078, 2866-001-080, 2866-001-071, 2866-001-074, 3247-032-01, 3247-032-35 AND 3247-032-043 TO 045, INCLUSIVE)

PARCEL 1 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM THAT PORTION LYING WITHIN PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-1524850 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTA J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963, IN BOOK D1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCELS 1 AND 3 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED MARCH 12, 1956 AS INSTRUMENT NO. 726, IN BOOK 50563 PAGE 48 OFFICIAL RECORDS, AN UNDIVIDED ONE-THIRD OF ALL OIL, GAS AND OTHER RIGHTS AS RESERVED IN DEED FROM LEA STEVENS MCGILLIVRAE RECORDED MARCH 12, 1956 IN BOOK 50563 PAGE 48 OFFICIAL RECORDS.

ALL RIGHTS, TITLE AND INTEREST TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE DOWN TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF TOGETHER WITH ALL RIGHTS OF SURFACE ENTRY THEREON HAS BEEN QUITCLAIMED BY LEA STEVENS MCGILLIVRAE BY DEED RECORDED NOVEMBER 28, 1969 AS INSTRUMENT NO. 730, IN BOOK D4567 PAGE 44 OFFICIAL RECORDS.

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, BOOK 255, PAGES 46 THROUGH 58, DESCRIBED IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150, OFFICIAL RECORDS, AN UNDIVIDED 50 PER CENT OF 100 PER CENT OF ALL OIL, GAS, MINERAL AND OTHER HYDROCARBON SUBSTANCES LYING IN OR UNDER SAID LAND, BUT WITHOUT THE RIGHT OF SURFACE ENTRY, AS RESERVED BY ANGELA HARRISON, A WIDOW, IN DEED RECORDED JULY 24, 1963 AS INSTRUMENT NO. 351, IN BOOK D2115 PAGE 150

**OFFICIAL RECORDS.**

ALSO EXCEPT FROM THAT PORTION OF PARCEL 1 OF SAID PARCEL MAP NO. 22559, DESCRIBED IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309, ALL OIL AND GAS AS RESERVED BY THE UNITED STATES OF AMERICA IN DEED RECORDED SEPTEMBER 13, 1990 AS INSTRUMENT NO. 90-1581309.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF; BUT WITH NO RIGHT OF SURFACE ENTRY, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM SAID LAST MENTIONED PORTION OF SAID LAND, THE SUBSURFACE WATER RIGHTS, BUT WITHOUT THE RIGHT OF ENTRY TO THE SURFACE OR SUBSURFACE ABOVE A DEPTH OF 50 FEET, AS PROVIDED IN THE DEED RECORDED DECEMBER 6, 1999 AS INSTRUMENT NO. 99-2241409 AND RE-RECORDED APRIL 23, 2001 AS INSTRUMENT NO. 01-689940.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 200 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470027.

ALSO EXCEPT FROM THAT PORTION OF SAID LAND DESCRIBED IN THE HEREINAFTER MENTIONED DEED, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, AND INCLUDING THE RIGHT TO USE THE SURFACE OF SAID LAND AND ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY, AS RESERVED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, IN THE DEED RECORDED FEBRUARY 18, 2003 AS INSTRUMENT NO. 03-0470030.

THE RIGHT OF SURFACE ENTRY TO THE SURFACE AND THAT PORTION OF THE SUBSURFACE TO A DEPTH OF 500 FEET OF SAID LAND WAS QUITCLAIMED BY QUITCLAIM DEED EXECUTED BY AMERICAN ENERGY OPERATIONS, INC., A CALIFORNIA CORPORATION, RECORDED JULY 28, 2003 INSTRUMENT NO. 03-2134554.

PARCEL 2: (APN 3247-032-046)

PARCEL 2 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,922, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED MAY 24, 2002 AS INSTRUMENT NO. 02-1208159 OF OFFICIAL RECORDS.

EXCEPT 50 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, BUT WITHOUT SURFACE RIGHT OF ENTRY AS RESERVED BY LORETTE J. MAEDER AND ET AL., IN DEED RECORDED APRIL 15, 1963,

IN BOOK D 1991 PAGE 718, OFFICIAL RECORDS.

ALSO EXCEPT A 25 PERCENT INTEREST IN ALL OIL, GAS, PETROLEUM, HYDROCARBONS AND OTHER KINDRED SUBSTANCES IN AND LYING UNDER SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY, BELOW A DEPTH OF 500 FEET, AS RESERVED BY EDMOND H. BURNS AND FLORENCE H. BURNS, HUSBAND AND WIFE, IN DEED RECORDED MAY 19, 1969 IN BOOK D-5373 PAGE 520, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134552.

PARCEL 3: (APN 2866-001-077)

PARCEL 5 OF CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. 101,923, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, WHICH RECORDED AUGUST 17, 2001 AS INSTRUMENT NO. 01-152850 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL MINERAL INTERESTS, INCLUDING BUT NOT LIMITED TO ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES WHETHER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING BUT NOT LIMITED TO RIGHTS TO EXPLORE FOR, DEVELOP AND REMOVE SUCH OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, WITHOUT, HOWEVER, ANY RIGHT TO USE THE SURFACE OF SAID LAND OR ANY OTHER PORTION THEREOF INCLUDING THE RIGHT OF SURFACE ENTRY FOR A DEPTH OF 500 FEET MEASURED FROM THE SURFACE OF SUCH REAL PROPERTY FOR ANY PURPOSE WHATSOEVER, AS RESERVED IN THE DEED RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134546.

PARCEL 4: (APN 2866-001-015, 2866-001-016 AND 2866-001-029)

LOTS 2 AND 3 AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO BASE AND MERIDIAN, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND FILED IN THE DISTRICT LAND OFFICE SEPTEMBER 6, 1880.

EXCEPT ALL OIL, GAS AND MINERALS IN AND UNDER SAID LAND AS RESERVED IN THE PATENT FROM UNITED STATES OF AMERICA, RECORDED MAY 7, 1947 IN BOOK 24535 PAGE 351, OFFICIAL RECORDS.

PARCEL 5:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE EASTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 2, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE SOUTH 89°48'34" EAST 459.98 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 00°00'25" WEST 126.39 FEET.

THE WESTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 63°43'23" WEST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 00°00'25" WEST 126.39 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 80.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 6:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134547, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 2, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 2, IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH 78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 340.30 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SAID SECTIONS 2 AND 3 AND THE TRUE POINT OF BEGINNING; THENCE SOUTH 72°20'30" EAST, 60.84 FEET; THENCE SOUTH 11°02'22" EAST, 114.00 FEET; THENCE NORTH 72°20'30" WEST, 83.96 FEET TO A POINT IN SAID COMMON LINE BETWEEN SECTIONS 2 AND 3, SAID POINT BEING SOUTH 00°06'40" WEST 104.88 FEET FROM THE TRUE POINT OF BEGINNING; THENCE ALONG SAID COMMON LINE NORTH 00°06'40" WEST 104.88 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 7:

A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS AND EGRESS, AND THE RIGHT TO INSTALL AND MAINTAIN A DRIVEWAY, CURBS, CURB CUTS, PAVING AND RELATED IMPROVEMENTS, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, LYING WITHIN A STRIP OF LAND 24 FEET WIDE, AS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING A STRIP OF LAND 24.00 FEET WIDE, THE WESTERLY LINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET.

THE EASTERLY LINE OF SAID STRIP IS TO TERMINATE NORTHERLY IN A LINE THAT BEARS NORTH 65°06'18" EAST FROM THE NORTHERLY TERMINUS OF THAT CERTAIN COURSE HEREIN DESCRIBED AS NORTH 03°36'18" EAST 223.96 FEET AND TO TERMINATE SOUTHERLY AT THE CENTERLINE OF SAID HASLEY CANYON ROAD, 40.00 FEET WIDE.

EXCEPTING THEREFROM THAT PORTION WITHIN SAID HASLEY CANYON ROAD.

PARCEL 8:

A NON-EXCLUSIVE EASEMENT FOR ACCESS TO AND THE RIGHT TO INSTALL AND MAINTAIN LANDSCAPING, FENCING, AND SCREENING, AS PROVIDED BY THAT CERTAIN "EASEMENT AGREEMENT" RECORDED JULY 28, 2003 AS INSTRUMENT NO. 03-2134558, OFFICIAL RECORDS OF LOS ANGELES COUNTY, OVER THAT PORTION OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 3, TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 3, WITH THE CENTERLINE OF HASLEY CANYON ROAD, 40.00 FEET WIDE, AS DESCRIBED IN THE DEED RECORDED IN BOOK 5595, PAGE 332 OF OFFICIAL RECORDS OF SAID COUNTY; THENCE ALONG SAID CENTERLINE NORTH 89°48'34" WEST 514.82 FEET TO AN ANGLE POINT THEREIN; THENCE CONTINUING ALONG SAID CENTERLINE NORTH 70°55'27" WEST 45.19 FEET; THENCE LEAVING SAID CENTERLINE NORTH 03°36'18" EAST 223.96 FEET; THENCE NORTH 65°06'18" EAST, 94.00 FEET; THENCE NORTH 03°36'18" EAST, 98.00 FEET; THENCE NORTH

ALTA Loan Policy (10-17-92) w/Form 1 Cov.

Order No. 9851188  
Policy No. 27-042-92 3657353

78°08'53" EAST, 190.48 FEET; THENCE NORTH 06°16'57" WEST, 240.05 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING ALONG LAST MENTIONED LINE NORTH 06°16'57" WEST 100.25 FEET; THENCE NORTH 87°45'06" EAST, 139.77 FEET; THENCE SOUTH 52°01'14" EAST, 99.93 FEET; THENCE SOUTH 35°31'39" EAST, 147.19 FEET TO THE COMMON LINE BETWEEN SECTION 3 AND SECTION 2, BOTH IN TOWNSHIP 4 NORTH, RANGE 17 WEST, SAN BERNARDINO MERIDIAN; THENCE ALONG SAID COMMON LINE SOUTH 00°06'40" WEST 104.88 FEET; THENCE NORTH 72°20'30" WEST, 64.90 FEET; THENCE NORTH 35°31'39" WEST, 165.97 FEET; THENCE NORTH 52°01'14" WEST, 48.81 FEET; THENCE SOUTH 87°45'06" WEST, 98.10 FEET TO THE TRUE POINT OF BEGINNING.

**EXHIBIT E**

**MECHANICS AND MATERIALMAN LIENS AND DEEDS OF TRUST RECORDED  
AGAINST LOS VALLES**

<b>CLAIMANT</b>	<b>NUMBER</b>	<b>AMOUNT</b>
J.W. Sutter, Inc.	No. 20080996491	\$2,632,043.00
Schwartz Oil Company, Inc.	No. 20081532781	\$582,954.63
J.W. Sutter, Inc.	No. 20081721253	\$5,774,213.00
Flo-Line Concrete Co., Inc.	No. 200817672724	\$260,892.13
Independent Construction Co.	No. 20081764284	\$255,857.62
Independent Construction Co.	No. 20081764285	\$85,285.87
Independent Construction Co.	No. 20081764286	\$85,285.87
Independent Construction Co.	No. 20081764287	\$85,285.87
Independent Construction Co.	No. 20081764288	\$34,114.35
Independent Construction Co.	No. 20081764289	\$34,114.35
Independent Construction Co.	No. 20081764290	\$34,114.35
Independent Construction Co.	No. 20081764291	\$34,114.35
Independent Construction Co.	No. 20081764292	\$34,114.35
Independent Construction Co.	No. 20081764293	\$34,114.35
Independent Construction Co.	No. 20081764294	\$341,143.49
Independent Construction Co.	No. 20081764295	\$426,429.37
Independent Construction Co.	No. 20081764296	\$255,857.62
Independent Construction Co.	No. 2001764297	\$597,001.13
R&R Pipeline, Inc.	No. 20081888670	\$1,085,858.64
National Ready Mixed	No. 20081889341	\$39,637.83

Concrete Co.		
Duthie Generator Services	No. 20081938337	\$4,833.13
Valley Crest Tree Company	No. 20082025895	\$39,960.00
HD Supply White Cap Construction Supply Inc.	No. 20082164564	\$29,427.94
Allan E. Seward Engineering Geology, Inc.	No. 20090213424	\$234,837.36
HD Supply White Cap Construction Supply Inc.	No. 20090620642	\$29,427.94

## **EXHIBIT F**

### **PALMER WELL REMAINING WORK**

#### **Los Valles Booster Station, Well and Tank**

##### **List of Tasks to be Completed**

**Date: 2-14-11**

1. Slope protection at three places to protect the slope from erosion (complete), Check gravel areas and install gravel drainage (Macias)
2. Installation of 3 ton hoist (BWP/Staats)
3. Complete the electrical wiring (Sitco)
  - a. Wire the radio antenna
  - b. Complete the PLC I/O terminations and other miscellaneous wiring.
  - c. Power up station and verify wiring.
4. Check the completed wiring by Engineer (Stetson/Calpower/Dist 36)
5. Verify Fire Department Approval or arrange final walk through (Kaplinski/Stetson)
6. Finalize CalARP (/Kaplinski/Risk Management Inc.)
7. Installation of the nitrogen cylinders by TGO. Kaplinski to Coordinate
8. Redevelopment of the well (Stetson/Staats)
  - a. Connect existing "spare line" pipeline to well and to culvert under Hasley Canyon Drive for discharge (Staats/Macias)
  - b. Regional Water Quality Control Board Notification (Kaplinski)
  - c. Water Quality Samples (Staats)
  - d. Well performance measurement (depth to water)  
Note: Pending results of 8.d, the well re-development may also require cleaning, development by swabbing and airlifting, and development by pumping.  
Note: Completion of Item 8 requires passing water quality testing per approved plans and specifications.
9. Re-chlorination of well if water quality testing (6. c above) indicates it is necessary (BWP/Staats)  
Note: Completion of Item 9 requires passing water quality testing per approved plans and specifications.
10. Chlorination of the tank (BWP/Staats)
  - a. 300,000 gallons tank  
Note: Completion of Item 10 requires passing water quality testing per approved plans and specifications
11. Chlorination of the pipelines (Staats)  
Note: Completion of Item 11 requires passing water quality testing per approved plans and specifications
12. Functional description and control narrative finalization (Westin, LAC, Stetson/Kaplinski)
13. Programming the RTU's (Westin/LAC/Kaplinski)
14. Prepare As-builts (Stetson)
15. Coordinate vendors for installation check of equipment (Stetson/Kaplinski)
  - a. Chlortainers (TGO)
  - b. Chlorination Control (Misco)
  - c. Leak Detectors

- d. Chemsan analyzer
- e. Miscellaneous Instruments
- 16. Preparation of commissioning plan (Stetson)
- 17. Introduction of water to the tank (BWP/Staats/Stetson)
- 18. Ordering and Loading of chemicals (LAC)
- 19. Coordinate vendors for start-up and testing (Stetson/Kaplinski)
- 20. Start-up (Stetson/BWP/Westin/Misco/Kaplinski)

Additional Notes:

1. Ester Brawley of RMP indicated that Teresa Quiaoit to whom the PHA paperwork was submitted is no longer dealing with this project. Mr. Michael Whitehead will replace her. All the paper work may need to be re-submitted to Mr. Michael Whitehead. Ester Brawley of RMP will go ahead and re-submit the papers.
2. Frank Ledesma of the Fire department of Petroleum-Chemical Unit is no longer work with the bureau. We submitted the paper work to Mr. Frank Ledesma for Fire Department approval about one year back. We will have to find out who is responsible for this project at this time and re-submit the papers.
3. Ester Brawley of RMP indicated that there is a new requirement for the registration for the chlortainers with EPA. The two chlortainers need to be registered with EPA electronically. Ester Brawley of RMP will help to get it done.
4. TGO Technologies will send nitrogen cylinders to the site for installation. Please confirm the site address. These nitrogen cylinders should be installed by BWP as shown in the TGO plans
5. There is a chlorine evacuation device that will be installed inside the chlortainer. Denton left this particular device inside the chlortiner. TGO technologies will install this device when they come to the site. Please make sure it is there. If it is missing, we will have to reorder it.
6. There are two mechanical winches on the loading rack of the chlortainers. The last inspection on February 8, 2011, these were not electrically connected. These connections need to be completed.

Additional Requirements:

- A. Completion of required easement for access.
- B. Completion of Improvement documentation, including but not limited to as built drawings, O & M manuals, and warranty deeds.
- C. Completion of all outstanding permits related to the construction of the access road.
- D. Removal of Graffiti from pump building, tank and electrical panels.